

Frequently Asked Economic Questions and Answers

U.S.-South Africa Economic Comparison

Q: How do South Africa and the United States compare in terms of size and economic terms?

A:

Statistic	South Africa	United States	Comparison
Size (sq. km.)	1.2 million	9.6 million	8 Times Larger
Population	46.6 million	296.0 million	6 Times Larger
GDP (2004)	\$ 165.5 billion	\$ 11.7 trillion	71 Times Larger
GDP Per Capita	\$ 3,552	\$ 39,527	11 Times Larger

Sources: Stats SA, SA Reserve Bank, U.S. Dept. of Commerce, U.S. Census Bureau, The World Bank Group

U.S. Investment and Assistance in South Africa

Q: Which country has the largest foreign investment in South Africa?

A: The United States and Europe dominate foreign investment in South Africa. The United States is the second largest foreign direct investor in South Africa after the United Kingdom. Since the transition to democracy in 1994, the United States has been the largest source of foreign direct investment (FDI) in South Africa. As of December 2003, the value of U.S. FDI in South Africa is \$3.9 billion, accounting for nearly 10% of total FDI. The United States is the largest portfolio investor in South Africa, comprising 43% of the total.

Q: How many U.S. companies have operations in South Africa?

A: Approximately 700 U.S. companies have a presence in South Africa. Around 200 firms have a direct presence through a subsidiary or sales office, and 500 firms are represented by a South African agent, distributor, or representative. Many U.S. companies in South Africa are members of the American Chamber of Commerce (<http://www.amcham.co.za>).

Q: Can you name some of the U.S. companies with operations in South Africa?

A: U.S. firms are represented in nearly every industry sector. Some examples are as follows: Caltex, Coca-Cola, Minute Maid, McDonalds, Sara Lee, Ford, General Motors, IBM, Microsoft, Dell, Hewlett Packard, Nike, Levi Strauss, General Electric, CitiGroup, Johnson & Johnson, Intel, Oracle, and Caterpillar.

Q: How much development assistance does the United States give to South Africa?

A: The United States is the largest bilateral donor and second overall donor to South Africa in terms of Official Development Assistance (ODA), providing an annual average of \$98 million in 2002-03. This assistance covered the areas of health, education, and economic infrastructure. In 2002-03, the remaining significant donors to South Africa included: European Community at \$125 million; (2) U.K. at \$87 million; (3) Germany at \$42 million; (4) Netherlands at \$38 million; and (5) France at \$33 million. In 2004, U.S. assistance to South Africa increased to \$160 million, reflecting significant inflows from the President's Emergency Plan for AIDS Relief (PEPFAR). As PEPFAR continues to grow, U.S. assistance to South Africa is expected to total over \$185 million in 2005.

Q: Which U.S. government agencies maintain offices in South Africa?

A: Apart from the Department of State, approximately 28 U.S. agencies manage cooperative programs in South Africa, including the U.S. Agency for International Development (USAID), Peace Corps, Department of Commerce, Department of Agriculture, Department of Defense, Department of Homeland Security, and Department of Health and Human Services.

Q: What is the level of engagement of the U.S. government in business and economic development in South Africa?

A: A key economic partner for South Africa, the United States is the country's second largest trading partner and largest source of foreign investment. U.S.-supported programs in South Africa focus on fostering business linkages and training within South Africa, the region, and internationally (primarily to the U.S. market) as an approach to creating sustainable jobs and supporting South Africa's democracy. The United States believes that both strong private and governmental sectors are critical to the consolidation of democracy in South Africa.

Q: Why is the United States interested in helping Africa/South Africa?

A: A prosperous and stable South African society benefits everyone—South Africans, other Africans, and Americans. South Africa is an economic anchor for Africa and is critical to strengthening the continent's economic and political stability. In turn, this stability has a positive impact worldwide. U.S.-South African trade benefits both nations in terms of jobs and income.

Q: Why is the United States interested in the South African labor union movement and what is it doing with the South African labor sector?

A: The United States has had a long history of promoting democratic free trade unions and actively supports core labor rights as intrinsic to the functioning of a democratic society. Through USAID and the U.S. Department of Labor, the U.S. government funds a variety of activities and projects aimed at strengthening trade union capacity, combating HIV/AIDS in the workplace, and eliminating child labor.

Trade

Q: What is the nature of the U.S.-South Africa trade relationship?

A: The United States is South Africa's largest single export country, accounting for over 10% of the 2003 and 2004 totals (up from 8% in 2001 and 2002). South Africa's exports to the United States rose by 21% from 2003 to 2004. Total bilateral trade was \$8.9 billion in 2004, as South Africa's exports to the United States were \$5.9 billion and its imports from the United States were \$3.0 billion.

Q: What are the largest import and export categories between the United States and South Africa?

A: Machinery and equipment is the largest import category from the United States to South Africa and accounts for over 30% of South African imports from the United States. South Africa's main export to the United States is precious metals and stones, accounting for over 30% of total exports to the United States.

Q: What is the African Growth and Opportunity Act (AGOA)? How has it benefited South Africa?

A: AGOA, U.S. legislation passed in 2000, currently provides 37 eligible countries in sub-Saharan Africa with the most liberal access to the U.S. market available to any country or region with which we do not have a Free Trade Agreement. As a result of AGOA, the U.S. provides duty-free access to substantially all exports of sub-Saharan Africa; more than 98% of U.S. imports from AGOA eligible countries enter the U.S. duty-free. In 2004, total AGOA exports to the United States rose 88% to \$26.6 billion. The AGOA portion of South African exports to the United States rose 7% in 2004, from \$1.7 billion in 2003 to \$1.8 billion in 2004. South Africa was the second largest beneficiary of AGOA in 2004. For more information on AGOA visit <http://www.agoa.gov>.

Q: Why is the United States seeking a Free Trade Agreement (FTA) with the South African Customs Union (SACU)?

A: The United States is building on the success of increased trade from AGOA. As envisaged in AGOA, President Bush has directed the Administration to negotiate a trade-expanding agreement with SACU to enhance our bilateral trade and investment relationship with them and to facilitate SACU's integration into the global economy. An FTA provides a more stable, predictable and favorable framework for trade and investment. The United States believes that a prosperous, healthy and stable Africa is in the U.S.'s best interests and contributes to its global efforts to foster worldwide economic growth and increased trade. An FTA between the United States and SACU will be good for all of us and will serve as a model for the rest of sub-Saharan Africa.

Q: Why should SACU want a Free Trade Agreement (FTA) when we have AGOA? What is the difference?

A: An FTA is permanent and is comprehensive, while AGOA expires in 2015 and only reduces tariffs on certain products. The FTA would cover not only tariffs, but also establish new disciplines on trade related issues, including services, investment, government procurement, electronic commerce, labor and environment. By moving from one-way trade preferences to full partnership through a reciprocal free trade agreement, the U.S. and SACU can expand market access, further link trade to southern Africa's economic development strategies, encourage greater foreign investment, and promote regional economic integration and growth.

Q: Which countries or regions does the United States have an FTA with?

A: In addition to the North American Free Trade Agreement (NAFTA) with Canada and Mexico, the United States has concluded and is implementing FTAs with Australia, Chile, Israel, Jordan, Morocco, and Singapore. The United States has also signed FTAs with five Central American countries (CAFTA) -- Nicaragua, Honduras, El Salvador, Costa Rica, and Guatemala -- and the Dominican Republic, and Bahrain, and is in the process of FTA negotiations with the Andean Pact (Columbia, Bolivia, Peru, and Ecuador) and Panama. Visit <http://www.ustr.gov> for more information on U.S. free trade agreements.

Q: Do free trade agreements actually benefit workers?

A: Free trade agreements can improve prosperity for all, including workers. Production in goods covered by such agreements increases, which generally results in further job creation. As tariffs are lowered or removed, the price of imported products declines and workers find these products more affordable. Free trade agreements can also result in additional foreign direct investment, which often bring substantial job creation to countries with low wage rates. U.S. FTAs also encompass a commitment by participants to enforce their own labor laws and take steps to guarantee core labor rights.

Q: How do I find out if a product is eligible for AGOA tariff preferences?

A: Most products are eligible for AGOA preferences with few exceptions. You can search by product description or Harmonized Tariff Schedule (HTS) number at <http://www.agoa.gov> under "product eligibility."

Q: How do I find out if there is a tariff on a particular agricultural product?

A: See <http://www.cargoinfo.co.za>, or call the Embassy's Agriculture Office at 012-431-4057.

Q: How do I find out what the sanitary or phyto-sanitary requirements are to export a food or agricultural product to the United States?

A: See <http://www.usda.gov/ppq/permits> or call the Embassy's Agriculture Office at 012-431-4057.

Q: Where can I find information on U.S. sanctions on a specific country?

A: Information is available from the U.S. Department of the Treasury, Office of Foreign Assets control. The website is <http://www.treas.gov/offices/enforcement/ofac>.

Doing Business In South Africa

Q: What is the best way to enter the South African market?

A: The U.S. Commercial Service (<http://www.buyusa.gov/southafrica/en/>) can best assist you in entering the South African market by providing counseling and contacts for your specific product or service. Most U.S. firms appoint a distributor for their product as the first step of market entry. Other resources include the American Chamber of Commerce (<http://www.amcham.co.za>) and the South African Department of Trade and Industry (<http://www.dti.gov.za>).

Q: What are the best prospects for U.S. firms in South Africa?

A: The U.S. Commercial Service has identified the following industry sectors as the best prospects for U.S. firms in South Africa: electrical power systems, oil and gas, defense, airport/ground support equipment, telecommunications equipment, automotive parts/service equipment, medical equipment, pollution control equipment, and healthcare services.

Q: What U.S. agricultural products have the most potential in the South African market?

A: In addition to U.S. wheat and cattle hides, a variety of high-value products such as almonds, cultivated ginseng root, canned salmon, bourbon, frozen food preparations, and sauces have shown consistent growth over the last five years and represent important opportunities for U.S. exporters. For more information, see <http://www.fas.usda.gov/markettradedata.asp>. If you click on "Attache Report Search," you can find the guide to exporting foods and beverages to South Africa (GAIN report #SF4030).

Q: How developed is the infrastructure in South Africa (i.e., how can I distribute my goods there)?

A: South Africa has a world-class infrastructure system. Durban is the largest container seaport in Africa and is located on the east coast of South Africa. Johannesburg airport is the hub of southern Africa's transport network. There is a well-developed road system to transport goods from ports and airports throughout the country.

Q: What are some of the challenges of promoting business and economic development in South Africa, and how are they overcome?

A: In South Africa, the largest challenge is that the legacy of apartheid denied opportunities to many, leaving the large majority of the potential labor force poorly educated, unskilled, and without access to capital and resources. The U.S. government's response to this has been to develop programs that provide professional technical expertise in areas such as commercial farming, finance, marketing, and quality standards certification.

Q: What are the implications of HIV/AIDS for U.S. business in South Africa?

A: South Africa has the largest number of HIV infected citizens in the world (more than 5 million). Up to 20% of the adult population is thought to be HIV-positive and AIDS is the leading cause of death in the country. The South African business community has begun to address the problem through a variety of initiatives and programs. U.S. companies should familiarize themselves with the disease and research strategies to address its implications within their business plans. Several U.S. companies have been leaders in workplace HIV/AIDS programs in South Africa. For more information, contact the South African Business Coalition on HIV/AIDS (SABCOHA) at <http://www.redribbon.co.za/business/>.

Q: What is Black Economic Empowerment (BEE)? How does it affect U.S. companies investing in South Africa?

A: South Africa's Department of Trade and Industry (DTI) describes BEE as a socio-economic process that is contributing to the economic transformation of South Africa and bringing about significant increases in the number of black people who manage, own, and control the country's economy, as well as significant decreases in income inequalities. While DTI is rolling out overall BEE guidelines, nearly every industry is developing its own charter detailing its requirements. Details on the BEE guidelines and BEE charters can be found on the DTI website at <http://www.dti.gov.za>. U.S. firms operating in South Africa support BEE, however, requirements to transfer equity to locally-owned BEE entities are inconsistent with some firms' management practices or policies. You may contact the American Chamber of Commerce (<http://www.amcham.co.za>) or the Foreign Commercial Service via email at Johannesburg.office.box@mail.doc.gov for additional information.

Q: Does the United States support the Agriculture Black Economic Empowerment (AgriBEE) Plan?

A: The United States supports the underlying goals of the AgriBEE, particularly its emphasis on development and on moving historically disadvantaged people into the mainstream of the national and global economy. The success of the AgriBEE agricultural and management targets depends heavily on timely and rapid achievement of its extremely ambitious literacy and education goals. In the long run, AgriBEE should be conducive to supporting U.S.-South African investment and trade.

Travel/Immigration/Customs

Q: How do I get a U.S. visa?

A: Visit the consular section of the Embassy's website at <http://pretoria.usembassy.gov/wwwwhst1.html> for information on applying for a U.S. visa.

Q: Can I take biltong to the United States?

A: No. You cannot take any unprocessed meats into the United States, primarily because Southern Africa has Foot and Mouth Disease while the United States does not. Sniffer beagle dogs will smell it, and U.S. Department of Agriculture officials will seize it at the airport. Other fresh products, such as proteas or fruit, are also not permitted to be taken to the United States.